

NCA
VOC FOR IOP/FN
BACKGROUNDER NO. 5-5529
WILLIAM WADE/LONDON

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DOLLAR UNCERTAINTIES

ANNCR:

THE U.S. DOLLAR HAS BEEN SELLING NEAR ITS RECORD LOWS ON EUROPEAN MONEY MARKETS. FROM LONDON, VOA CORRESPONDENT WILLIAM WADE LOOKS AT SOME OF THE REASONS WHY:

VOICE:

BLAME IT ON THE WEATHER. BLAME IT ON THE U.S. COAL STRIKE. BLAME IT ON SHARP WORLD COMPETITION IN SELLING CARS, T.V. SET OR STEEL. BLAME IT ON WALL STREET. BLAME IT ON THE SLOWNESS OF AMERICA'S CONGRESS IN DEALING WITH PRESIDENT CARTER'S ENERGY BILL.

ALL THESE HAVE A BEARING WHY THE DOLLAR -- THE KEY CURRENCY IN THE WORLD'S TRADE AND PAYMENTS -- HAS BEEN SUBJECT TO NERVOUS FITS AND STARTS SINCE LATE LAST YEAR. ONE DOWNWARD SLIDE WAS CHECKED A MONTH AGO WHEN THE CARTER ADMINISTRATION ANNOUNCED NEW SWAP ARRANGEMENTS AMONG CENTRAL BANKS TO SUPPORT THE DOLLAR AGAINST SPECULATION. SINCE THEN, VARIOUS CENTRAL BANKS HAVE ENTERED THE OPEN MARKET, BUYING DOLLARS AND SELLING YEN, DEUTSCHEMARKS, AND SWISS FRANCS TO PROVIDE GREATER STABILITY TO THE EXCHANGE RATES OF THE LEADING CURRENCIES. BUT IT WAS RECOGNIZED IN WASHINGTON AND ELSEWHERE THAT MONETARY SWAP ARRANGEMENTS ONLY BUY TIME FOR MORE BASIC CHANGES. AND THE BASIC CHANGES MOST NEEDED FOR THE AMERICAN ECONOMY ARE CUTTING ITS BIG TRADE DEFICIT AND REDUCING ITS BILLS FOR IMPORTED OIL.

IN THE LAST MONTH THERE HAS BEEN NO PARTICULAR GOOD NEWS OR BAD NEWS ON THESE MATTERS -- BUT A LOT OF CONTINUED UNCERTAINTY. IN AMERICA, A PERSISTENT COAL MINERS STRIKE AND BAD WEATHER HAVE WORSENERED THE ENERGY PICTURE, WHILE CONGRESSIONAL

AND ADMINISTRATION AGREEMENT ON THE ISSUE HAS BEEN SLOW IN COMING. HERE IN EUROPE, U.S. AND OTHER FINANCE MINISTERS HAVE HELD PRIVATE TALKS, PROVOKING MUCH MARKET SPECULATION EVEN THOUGH SUCH TALKS ARE A REGULAR FEATURE OF THE MACHINERY OF WORLD ECONOMIC COOPERATION. NORWAY HAS JUST DECIDED TO DEVALUE ITS CROWN BY EIGHT PER CENT, REFLECTING LARGEST DEBTS, A WORLD RECESSION IN SHIPPING AND SLOW DEVELOPMENT OF OIL RESOURCES. ON TOP OF SUCH SPECIFICS IS THE GENERAL PERSISTENCE OF THE WORLD RECESSION -- WITH RECOVERY OF TRADE AND EMPLOYMENT SLOWED THAN EXPECTED. THAT MEANS MORE UNCERTAINTY FOR BUSINESSMEN, INVESTORS, MONEY DEALERS -- THE KIND OF UNERTAINTY THAT KEEPS THE PRICE OF THE U.S. DOLLAR DRIFTING LOWER.

JS/PY